

**FUNDAMENTAL
PETROLEUM
TRENDS**

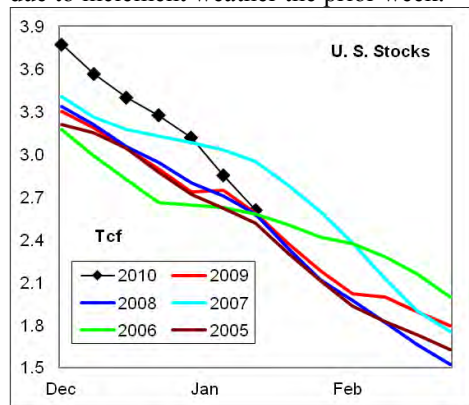
WEEKLY NATURAL GAS SUPPLY and PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, January 22, 2010



Summary ¹ Stocks decreased -245 Bcf last week, slightly less than the prior week, but still a record draw for the week. Heating degree days were normal for the week ending 16Jan10, pointing to increased deliveries to commercial and industrial sectors where demand had been curtailed due to inclement weather the prior week.



In the East Region stocks declined -131 Bcf, which was a record for the week. The -18 Bcf draw in the West Region was at the five year mid range. The stock draw of -96 Bcf in the Producing Region was a record for the week.

Heating degree days were +1% above normal in the East Region, -19% below normal in the West Region and +9% above normal in the Producing Region for the week ending January 16th.

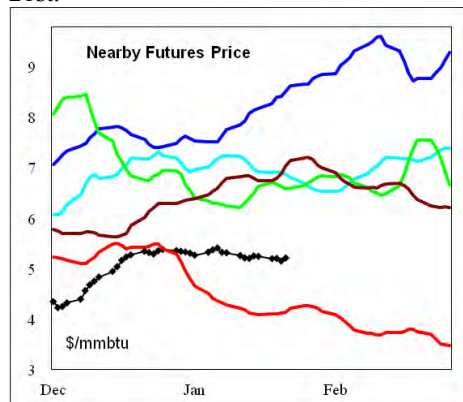
Heating degree days were normal for the week ending January 16th and forecast to be -23% below normal for the week ending January 23rd.

The 6-10 day NWS forecast for the week ending January 31st is for a return to colder than normal temperatures in the eastern 2/3rds of the country, excluding the southeast, and near normal in the West.

The 8-14 day NWS forecast for the week ending February 4th is colder than normal temperatures in the eastern 2/3rds of the country and near normal in the West.

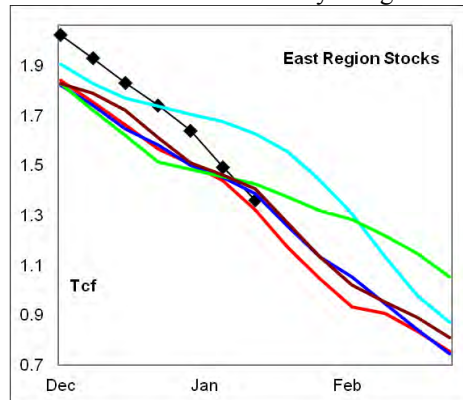
Prices: Nearby gas futures prices declined -

\$0.11/mmbtu for the week ending January 21st.

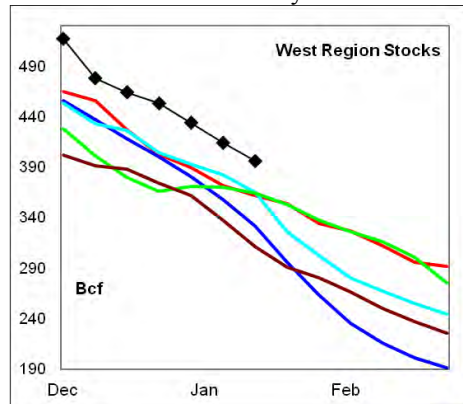


The 1st - 4th month forward price curve trended higher in favor of the prompt month as a result of extremely high demand. The spread ended the week above the five year range for this time of year.

East Region stocks decreased -131 Bcf on the week, which was a record draw for the week. The latest 4-wk stock draw was a record draw for this time of year. Stock levels are now +3% above a year ago.



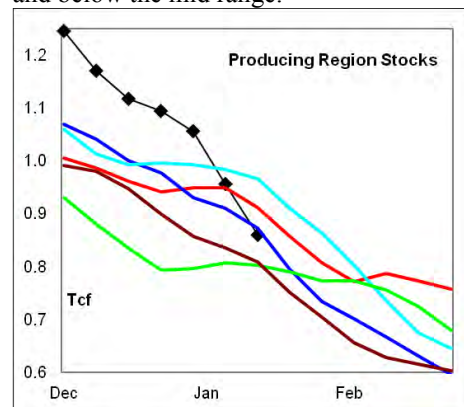
Heating degrees in the region were +1% above normal for the week ending January 16th and are forecast to be -20% below normal for the week ending January 23rd. Colder than normal temperatures are forecast for the next 10-days.



West Region stocks decreased -18 Bcf on the week, which was at the 5-year mid range. The latest 4-wk stock draw was near the historic mid range for the period. Stock levels are now +9% above a year ago and above the five year range.

Heating degree days were -19% below normal for the week ending January 16th and are forecast to be -17% below normal for the week ending January 23rd. Near normal temperatures are forecast for the next 10 days.

Producing Region stocks decreased -96 Bcf on the week, a record draw for the week. The latest 4-wk draw was the 6th consecutive weekly record rate of draw. Stock levels are now -6% below last year and below the mid range.



Heating degree days were +9% above normal for the week ending January 16th and forecast to be -45% below normal for the week ending January 23rd. Slightly colder than normal temperatures are forecast for the next 10 days.

Residual Fuel Oil Switching: The price spread between residual fuel oil and natural gas was unchanged last week and remains well above the historic range in favor of switching to gas. Residual fuel oil demand (including exports) was -22% below year ago levels for the latest 4-wk period.

Outlook: Following the current week of near record high temperatures for this time of year, colder than normal temperatures are forecast to return during the 10-day weather outlook for key heating markets in the eastern 2/3rds of the country.

Stock levels are now at the five year mid range as a result of record draws over the past month. These fundamental trends should provide support to prices during the next 2-wks.

¹ Related Web Sites:

[Data Source is EIA Weekly Statistics](#)

[National Weather Service 6-10 Day](#)

[National Weather Service 10-14 Day](#)



NATURAL GAS: Graph Link and Weekly Summary

Report prepared as of: January 22, 2010

For the week ending: 15-Jan-10

Weekly Trends in Stocks and Heating Degree Days for the week ending:

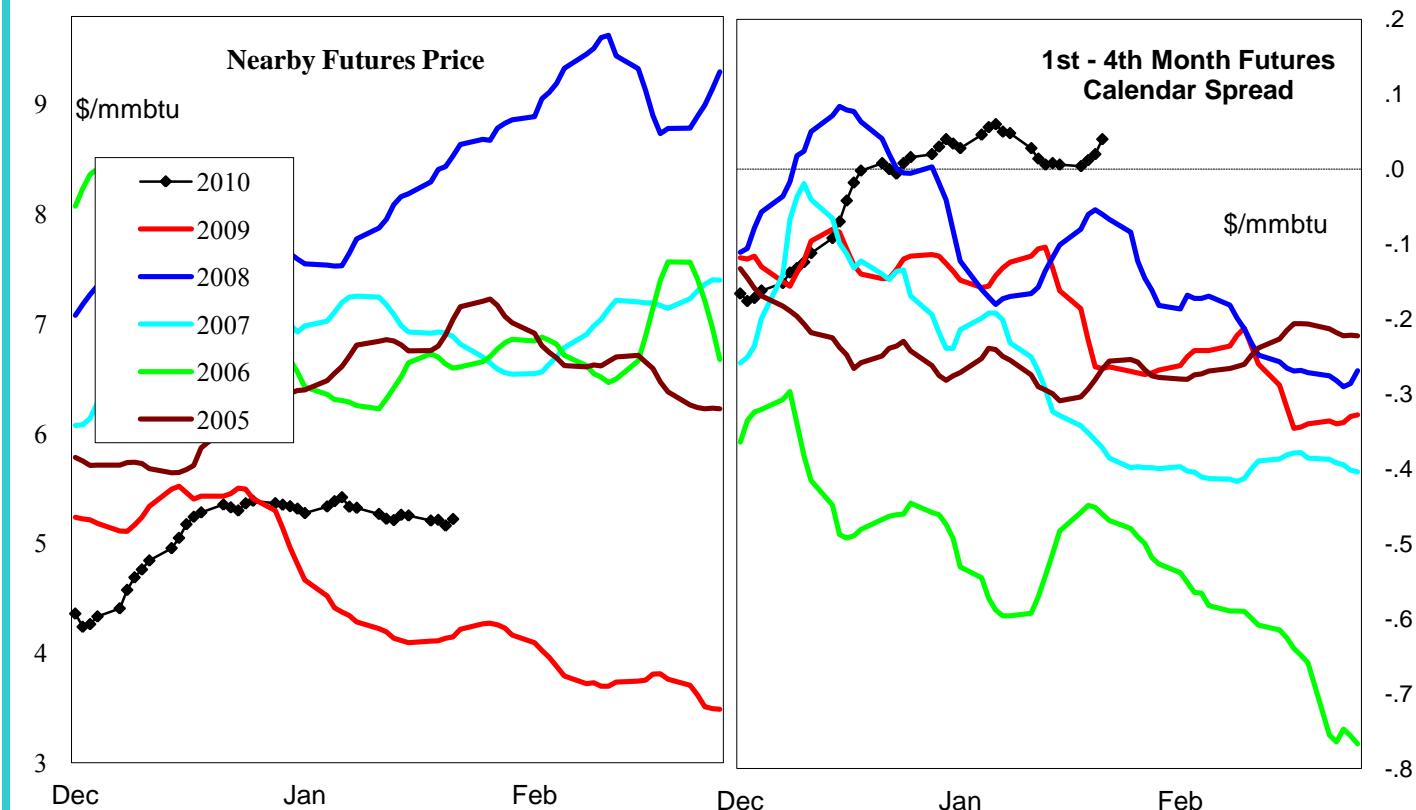
| Week ending: | 15-Jan-10 | | | 9-Jan-10 | | 16-Jan-10 | | 23-Jan-10 | |
|--------------|---------------|------------------|----------|----------------------------|-------------|----------------------|-------------|----------------------|-------------|
| Region | Weekly Stocks | | | Weekly Heating Degree Days | | | | | |
| | Bcf | Change vs prior: | | Change vs prior week | % of normal | Change vs prior week | % of normal | Change vs prior week | % of normal |
| | | Week Bcf | Year (%) | | | | | | |
| U.S. Total | 2,607 | -245 | 0.9 | 41 | 25% | -55 | 0% | -58 | -23% |
| East | 1,401 | -131 | 2.9 | 44 | 22% | -51 | 1% | -59 | -20% |
| West | 396 | -18 | 9.4 | -9 | 0% | -43 | -19% | 2 | -17% |
| Producing | 810 | -96 | -6.0 | 60 | 56% | -76 | 9% | -92 | -45% |

Seasonal Trends in Stocks and Heating Degree Days

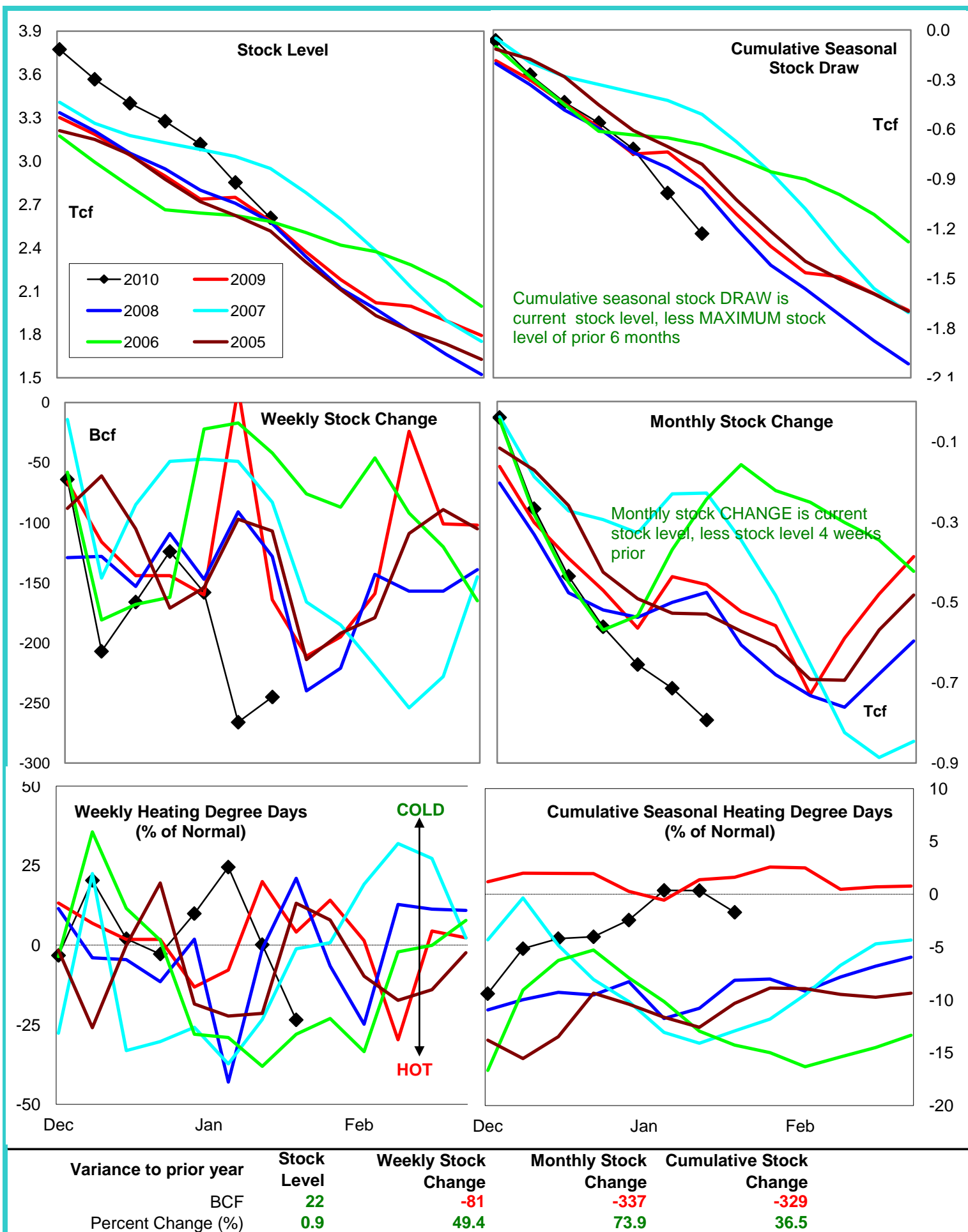
| | Cumulative Stock Draw | | | Cumulative Heating Degree Days | | | | | |
|-------------------|-----------------------|-----------------------------|-------------|--------------------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Bcf | Change vs prior year Bcf | % | CHDD's vs normal | % of normal | CHDD's vs normal | % of normal | CHDD's vs normal | % of normal |
| U.S. Total | -1,230 | -329 | 26.7 | 295 | 0.4 | 240 | 0.3 | 181 | -1.7 |
| East | -700 | -20 | 2.9 | 319 | -1.0 | 268 | -0.8 | 209 | -2.5 |
| West | -130 | -20 | 15.4 | 217 | -2.9 | 175 | -4.2 | 176 | -5.2 |
| Producing | -409 | -299 | 73.1 | 256 | 12.0 | 181 | 11.7 | 88 | 6.3 |

Futures Market Price Trends

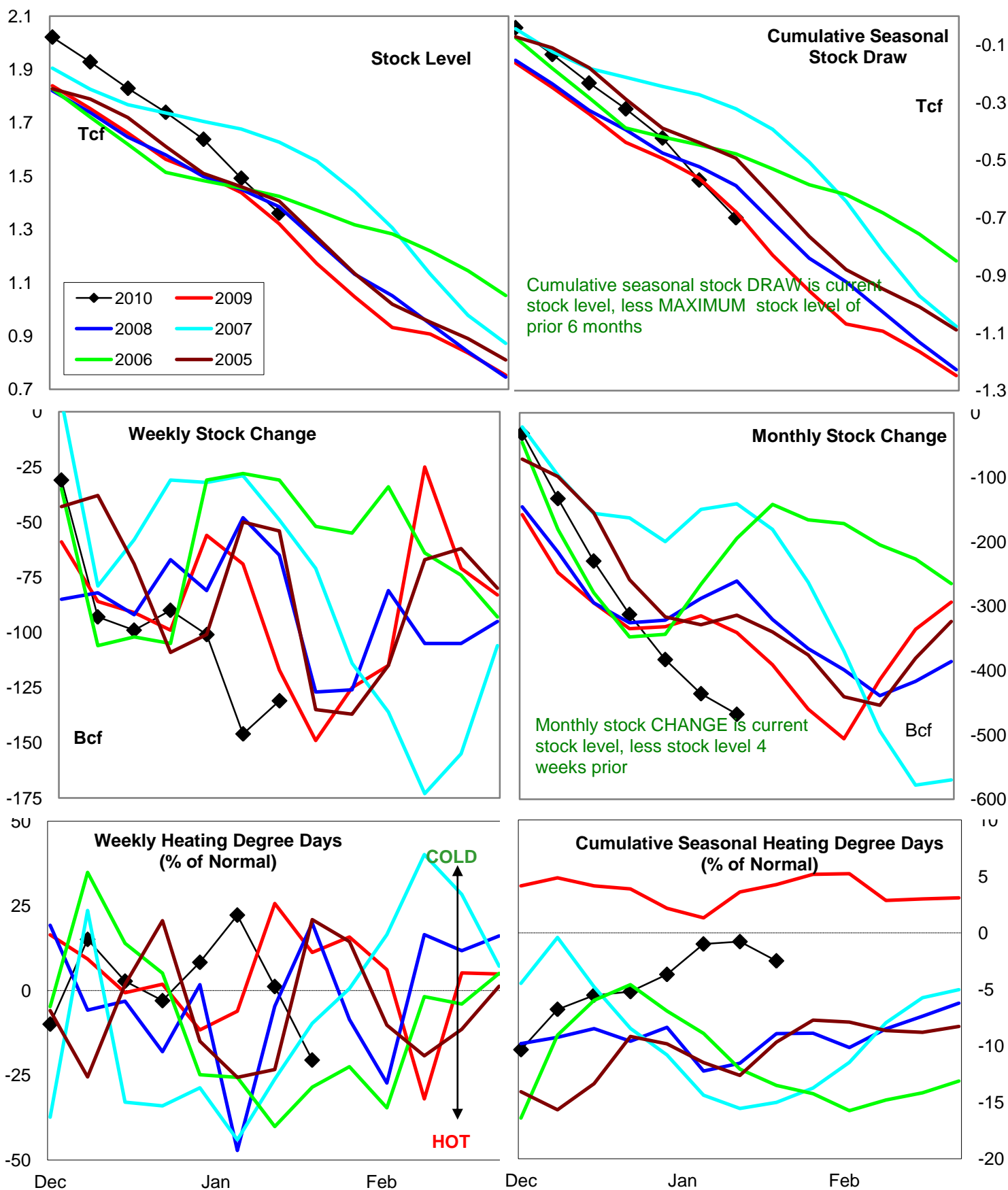
| Date: | 20-Jan-10 | Change vs prior week, month, year | | |
|------------------------------|--------------|-----------------------------------|--------------|-------------|
| | | 13-Jan-10 | 21-Dec-09 | 16-Jan-09 |
| 1st month Futures | 5.62 | -0.07 | -0.02 | 1.02 |
| % change | xxxxx | -1.2 | -0.4 | 22.2 |



United States Natural Gas Stock and Weather Trends



Natural Gas East Region Stock and Weather Trends



Variance to prior year

Stock
LevelWeekly Stock
ChangeMonthly Stock
ChangeCumulative Stock
ChangeBCF
Percent Change (%)

40

-14

-127

-20

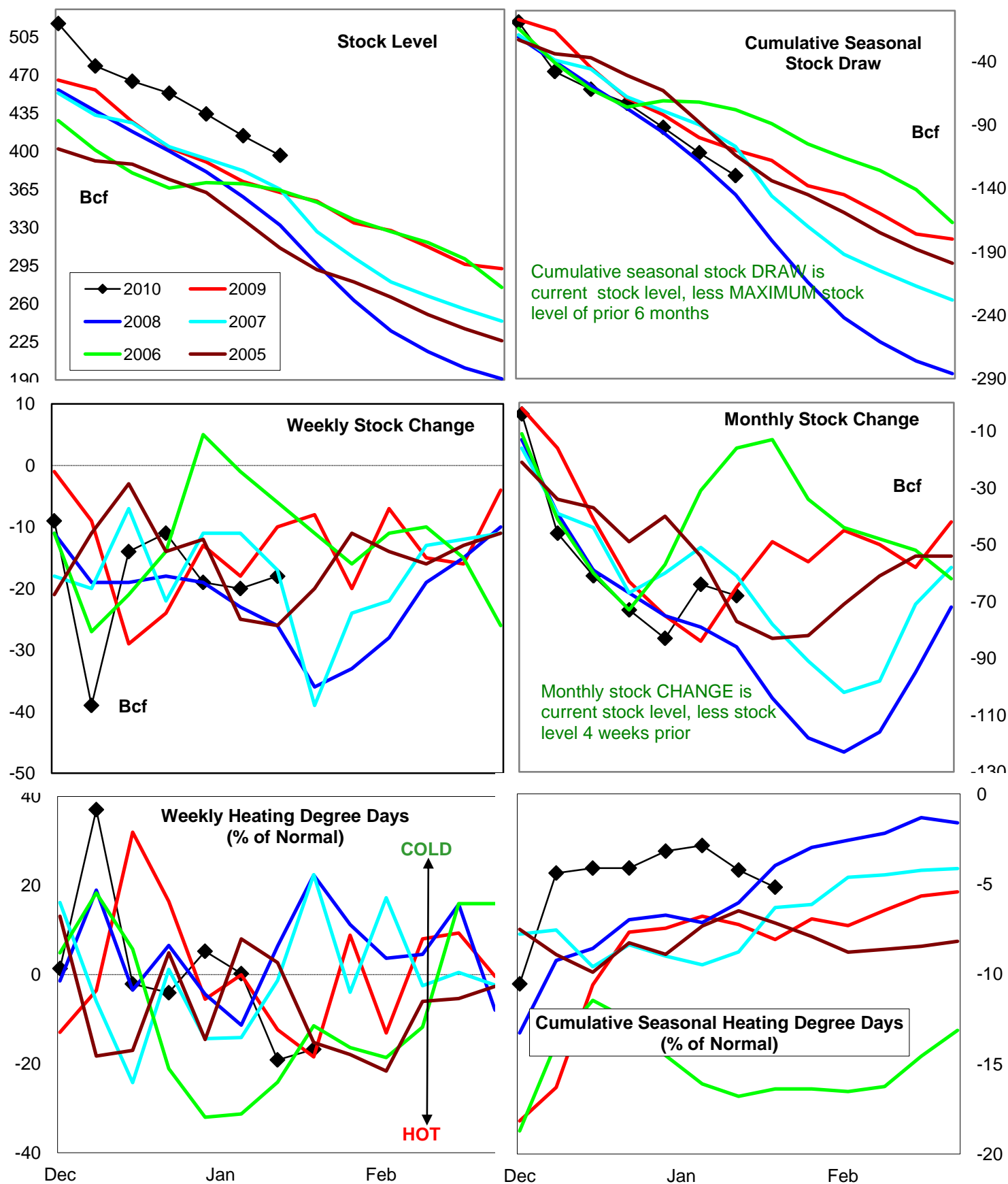
2.9

12.0

37.2

2.9

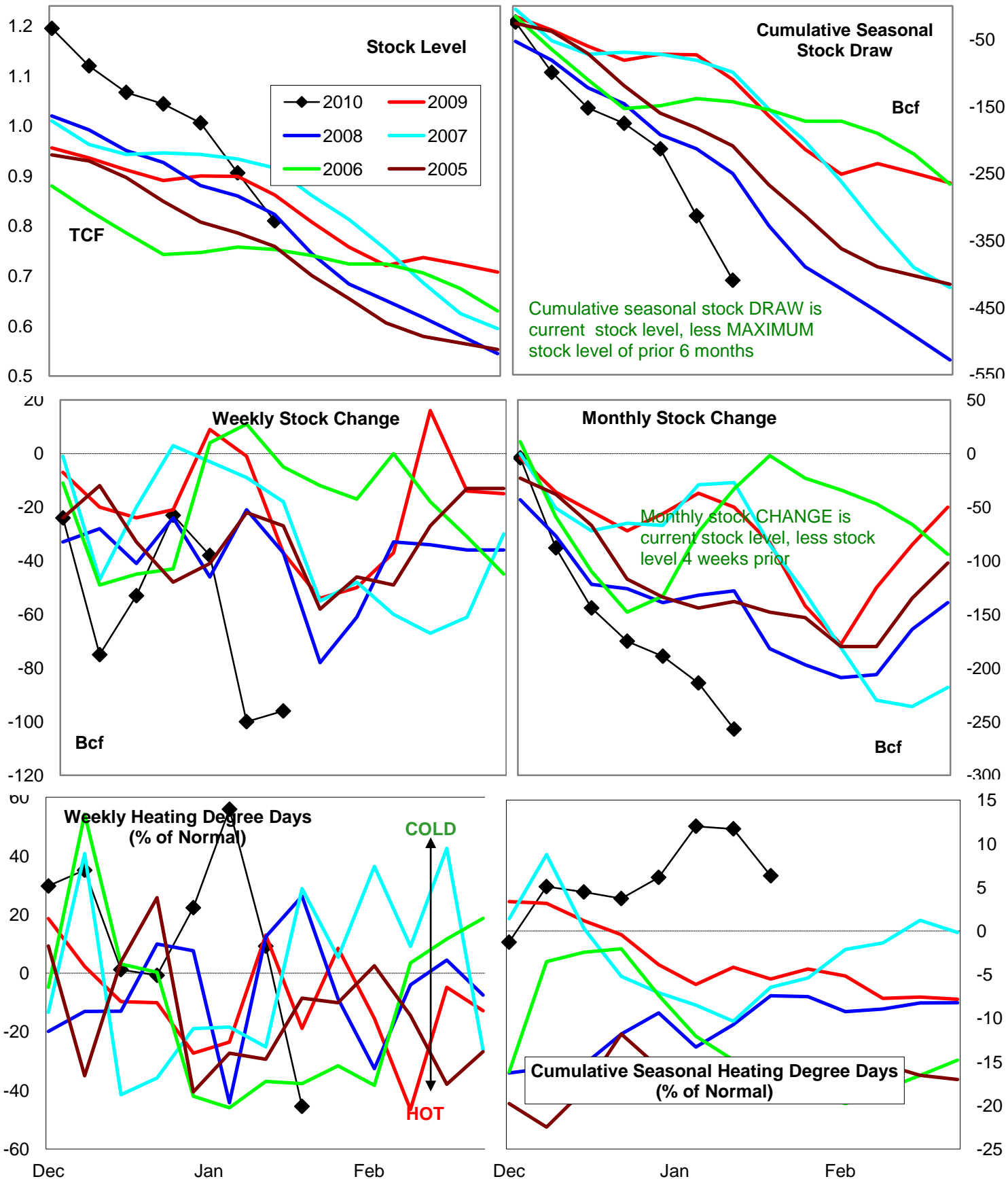
Natural Gas West Region Stock and Weather Trends



Variance to prior year

Stock
LevelWeekly Stock
ChangeMonthly Stock
ChangeCumulative Stock
ChangeBCF
Percent Change (%)34
9.4-8
80.0-3
4.6-20
18.2

Natural Gas Producing Region Stock and Weather Trends



Variance to prior year

Stock Level

Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF

-52

-59

-207

-299

Percent Change (%)

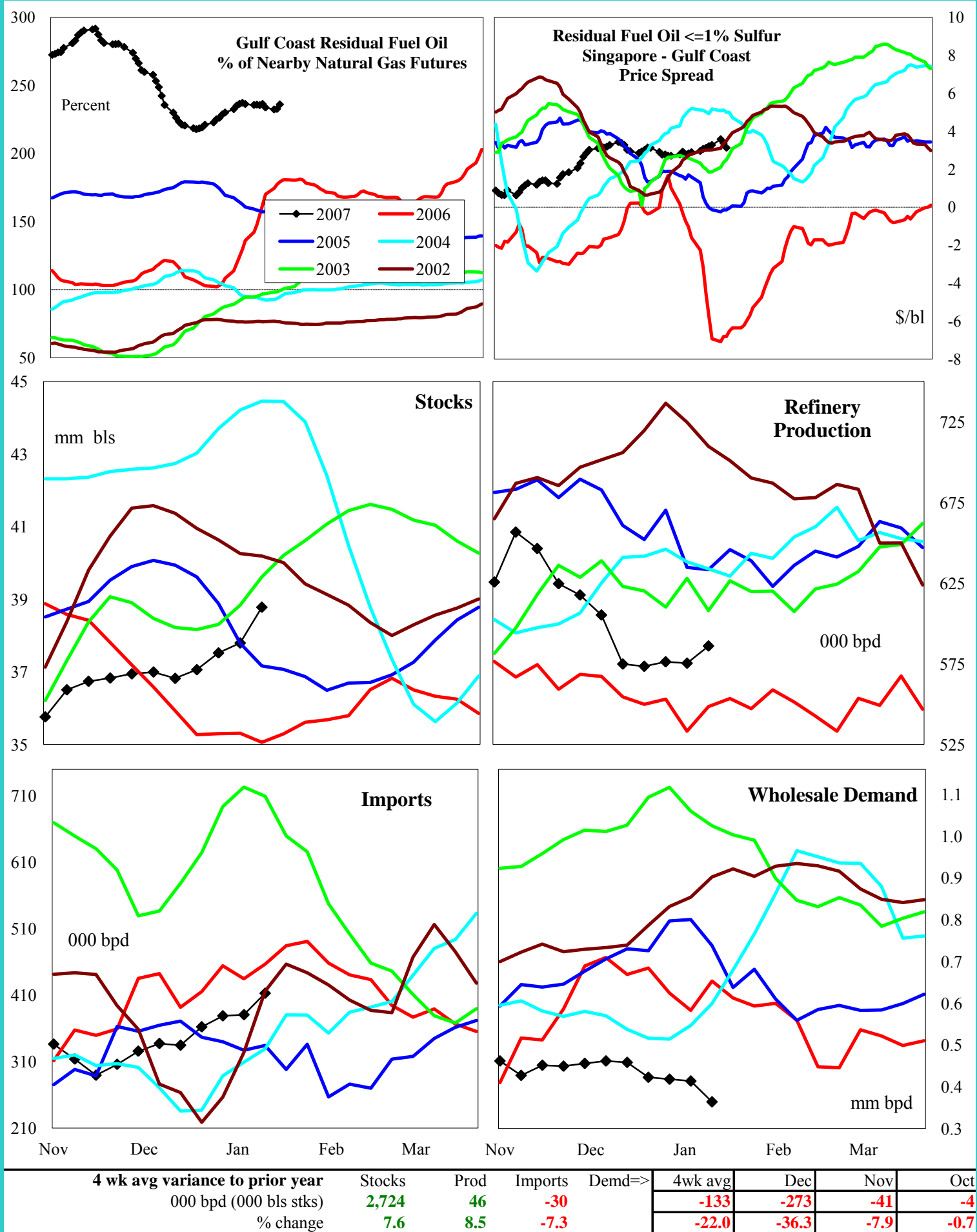
-6.0

159.5

414.0

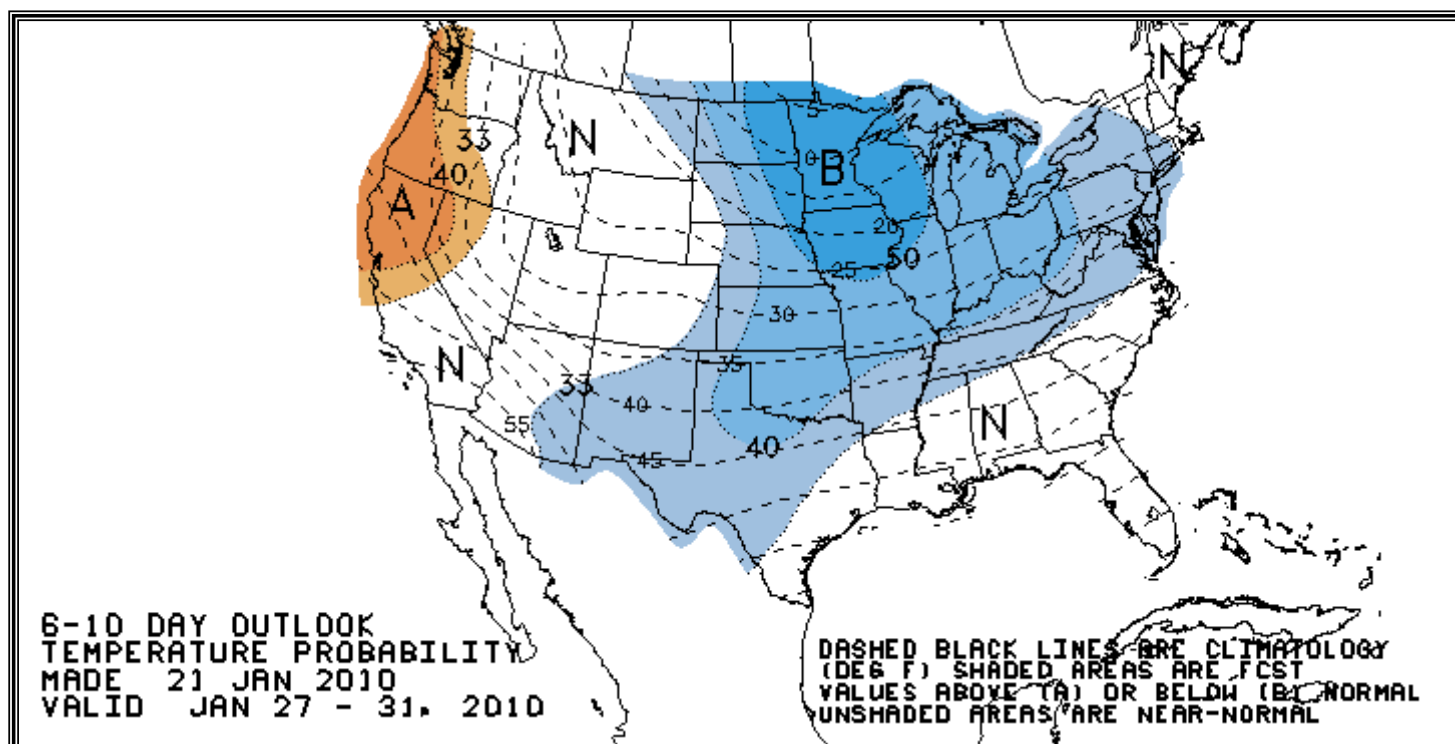
271.8

U.S. Residual Fuel Oil Price Spreads and Supply Balance



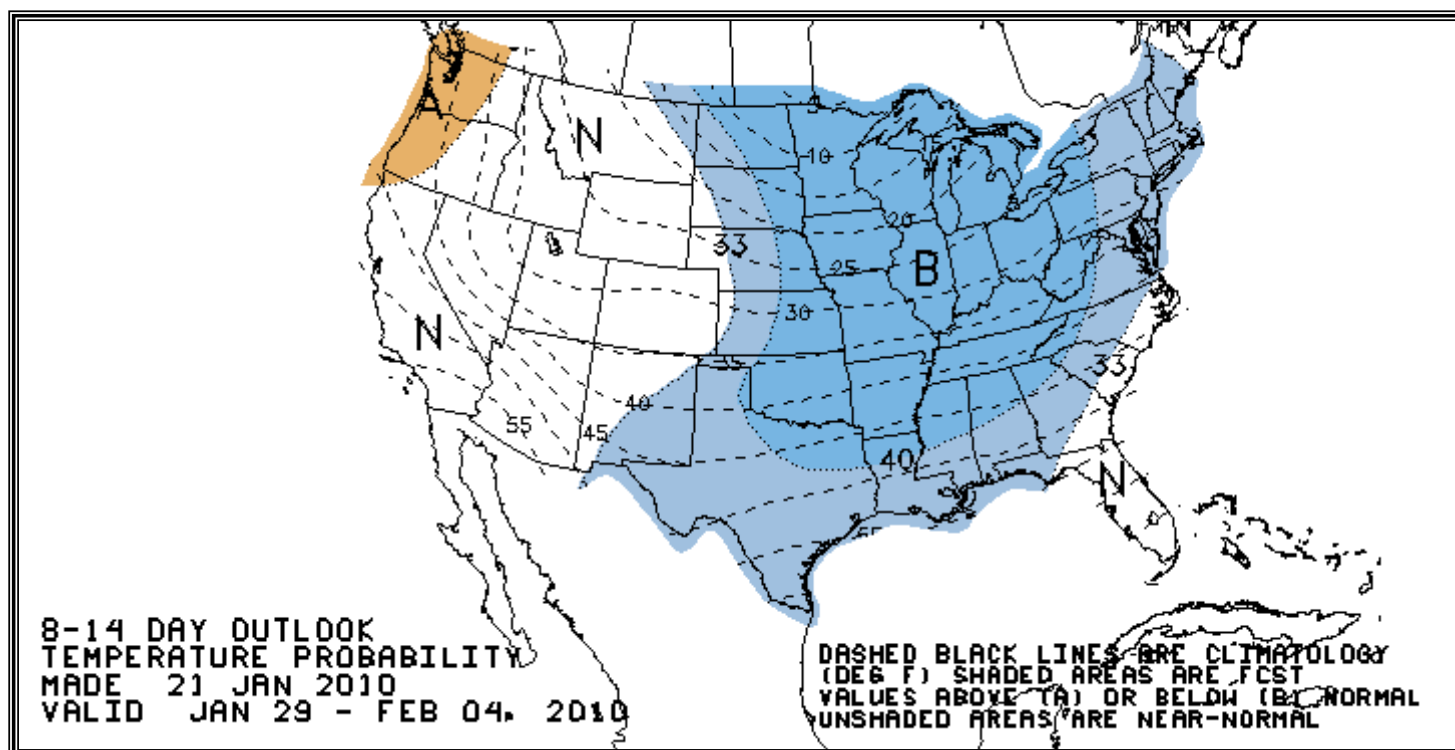
National Weather Service Climate Prediction Center

Heating Degree Days 6 - 10 Day Forecast



National Weather Service Climate Prediction Center

Heating Degree Days 8 - 14 Day Forecast



American Gas Association Regions

